

Message Text

CONFIDENTIAL

PAGE 01 THE HA 02746 311522Z

73

ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 IO-14 JUSE-00

DRC-01 /182 W

----- 103343

R 311453Z MAY 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 3689

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L THE HAGUE 2746

E.O. 11652: GDS

TAGS: ENRG, XX

SUBJ: NEW OPEC PROPOSAL AFFECTING CRUDE PRICES

1. IN CONVERSATION WITH VAN RHIJN, DEPUTY DIR GEN OF ENERGY, ON 30 MAY, HE SHOWED US SHELL PAPER REPORTING AND COMMENTING ON CURRENT PROPOSAL BY OPEC ECONOMIC COMMITTEE RE CRUDE PRICES. GIST OF PROPOSAL IS THAT COMPANIES' PRESENT HIGH PROFITS COME LARGELY FROM DIFFERENCE BETWEEN COMPARATIVELY LOW COST OF EQUITY OIL AND SELLING PRICE BASED ON HIGHER COST OF BUY-BACK OIL RELATED TO POSTED PRICE; THEREFORE OPEC SHOULD CONSIDER LARGE INCREASE IN TAXES ON EQUITY OIL BRINGING THEM UP TO ABOUT 80 PERCENT OF POSTED PRICE. PROPOSAL WILL PROBABLY BE DISCUSSED IN OPEC MEETING 15 JUNE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 THE HA 02746 311522Z

2. SHELL COMMENTED TO EFFECT THAT FLEXIBILITY ENJOYED BY COMPANIES UNDER PRESENT ARRANGEMENT ALLOWS THEM TO AVERAGE OUT COSTS AND PROVIDES STABILITY IN FACE OF VOLATILE SPOT PRICES. SHELL HOLDS THAT ADOPTION OF COMMITTEE PROPOSAL WOULD PROBABLY RAISE WORLD CRUDE PRICES AGAIN AND WOULD CERTAINLY SUBJECT THEM TO HIGH DEGREE OF FLUCTUATION BASED ON SPOT PRICES. SHELL ASKED GON TO CONSIDER THIS PROBLEM WITH OTHER CONSUMER GOVERNMENTS WITH VIEW OF FINDING WAY TO MEET OPEC PROBLEM WITHOUT FURTHER UPSETTING INTERNATIONAL OIL MARKET.

3. VAN RHIJN NOTED IT IS HIGHLY IMPRACTICABLE TO GET ANY CONSUMER GOVT CONCENSUS ON SUCH MOVE OR EVEN TO TAKE BILATERAL ACTION VIS-A-VIS PRODUCEERS BEFORE 15 JUNE. HE SURMISED THAT SHELL RECOMMENDATION WAS LARGELY TACTICAL MOVE TO SIFT RESPONSIBILITY TO GOVT SHOULERS IN CASE OPEC MAKES SUCH MOVE, BUT HE TACITLY ADMITTED

THAT THERE IS LITTLE ELSE OIL COMPANIES CAN DO. HE WISHED USG TO BE AWARE OF THIS PROPOSAL AND INDICATED THAT IT WILL DOUBTLESS BE DISCUSSED AT NEXT OIL COMMITTEE HIGH LEVEL GOUP MEETING.

TANGUY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974THEHA02746
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740138-0368
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974051/aaaaaakw.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 05 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 APR 2002 by cunninfx>; APPROVED <13 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW OPEC PROPOSAL AFFECTING CRUDE PRICES
TAGS: ENRG, XX, US, OPEC, SHELL, (VAN RHIJN)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005